

AUDITING PROCEDURES REPORT

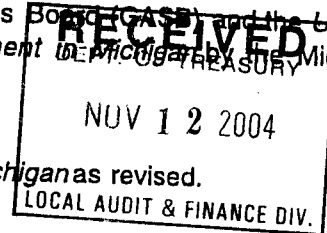
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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name FRANKFORT CITY - COUNTY AIRPORT AUTHORITY		County BENZIE
Audit Date JUNE 30, 2004	Opinion Date SEPTEMBER 23, 2004	Date Accountant Report Submitted to State: NOVEMBER 4, 2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ yes ☐ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) ANDERSON, JACKMAN & COMPANY, P.C.			
Street Address 16478 S. RILEY AVE		City KINCHELOE	State MI
Accountant Signature Anderson Jackman & Co P.C.		ZIP 49788	

FRANKFORT CITY - COUNTY AIRPORT AUTHORITY

BASIC FINANCIAL STATEMENTS

June 30, 2004

FRANKFORT CITY - COUNTY AIRPORT AUTHORITY

APPOINTED OFFICIALS

CHAIRMAN

ROBERT C. FOSTER

VICE CHAIRMAN

RALPH K. HILLQUIST

SECRETARY

ROBERT C. FOSTER

TREASURER

LINDA M. WILSON

TRUSTEE

RICHARD C. BAYER

TRUSTEE

MICHAEL JONES

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
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INDEPENDENT AUDITORS' REPORT

Members of the Board
Frankfort City - County Airport Authority
Frankfort, Michigan 49635

We have audited the accompanying financial statements of the business-type activities, of the Frankfort City - County Airport Authority as of and for June 30, 2004, as listed in the Table of Contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Frankfort City - County Airport Authority as of June 30, 2004, and the results of its operations for the period then ended in conformity with accounting principles generally accepted in the United States of America.

The Frankfort City - County Airport Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis on page 3 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Anderson Tackman & Co P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

September 23, 2004

Management's Discussion and Analysis

Frankfort City - County Airport Authority

Management's Discussion and Analysis
June 30, 2004

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

The Authority as a Whole

The Authority's combined net assets decreased 1% from a year ago from \$1,313,348 to \$1,299,267. The business-type activities experienced a \$14,081 decrease in net assets, primarily as a result of new depreciation expenses. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

The Authority implemented GASB-34 accounting procedures for the period beginning July 1, 2003.

In a condensed format, the table below shows the net assets of Frankfort City - County Airport Authority.

	Business-Type Activities	
	2004	2003
Current Assets	\$ 234,533	207,812
Noncurrent Assets	<u>1,065,040</u>	<u>1,105,876</u>
Total Assets	<u>1,299,573</u>	<u>1,313,688</u>
Current Liabilities	<u>306</u>	<u>340</u>
Total Liabilities	<u>306</u>	<u>340</u>
Net Assets		
Invested in Capital Assets -		
Net of Debt	1,065,040	1,105,876
Unrestricted (Deficit)	<u>234,227</u>	<u>207,472</u>
Total Net Assets	<u>\$ 1,299,267</u>	<u>1,313,348</u>

Frankfort City - County Airport Authority

Management's Discussion and Analysis June 30, 2004

The current level of unrestricted net assets for our business-type activities stands at \$234,227, or about 189% of expenses. This is within the targeted range set by the Authority's Board of Directors during its last budget process.

The following table shows the activities of the Authority.

	Business-Type Activities	
	2004	2003
Revenues		
Charges for Services	\$ 67,766	47,292
Donations	35,000	50,000
Interest and Other	<u>7,295</u>	<u>22,414</u>
Total Revenues	<u>110,061</u>	<u>119,706</u>
Expenses		
Operations	76,206	75,458
Depreciation Expense	<u>47,936</u>	<u>32,212</u>
Total Expenses	<u>124,142</u>	<u>107,670</u>
Change in Net Assets	<u>\$ (14,081)</u>	<u>12,036</u>

Frankfort City - County Airport Authority

**Management's Discussion and Analysis
June 30, 2004**

Business-Type Activities

The Authority's total business-type revenues decreased by approximately \$9,645, primarily due to the decrease in donations. The second largest decrease, compared to the prior year, was in appropriations of \$12,000.

Expenses increased by about \$16,000 during the year. This was primarily the result of fuel purchases throughout the year.

Capital Asset and Debt Administration

At the end of 2004, the Authority had \$1,065,040 invested in a broad range of capital assets, including airport property, hangers and a weather observation terminal.

The Authority had no long term debt obligations at year end.

Economic Factors and Next Year's Budgets and Rates

A direct reflection of a soft economy, the Authority's 2005 budget will be tight essentially a "hold the line" document when compared to the 2004 program.

Insurance costs continue to increase.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Authority at 501 Main Street, Frankfort, Michigan or call 231-352-9655.

Basic Financial Statements

Frankfort City - County Airport Authority

Statement of Net Assets
June 30, 2004

ASSETS

Current Assets

Cash and Equivalents	\$ 229,458
Inventory	<u>5,075</u>
Total Current Assets	<u>234,533</u>

Non Current Assets

Capital Assets, (Net of Accumulated Depreciation)	<u>1,065,040</u>
TOTAL ASSETS	<u>\$ 1,299,573</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ <u>306</u>
TOTAL CURRENT LIABILITIES	<u>306</u>
TOTAL LIABILITIES	<u>306</u>

Net Assets

Investment in Capital Assets (Net of Related Debt)	1,065,040
Unrestricted	<u>234,227</u>
TOTAL NET ASSETS	<u>1,299,267</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,299,573</u>

The accompanying notes are an integral part of these financial statements.

Frankfort City - County Airport Authority

Statement of Revenues, Expenses and Changes in Net Assets Year Ended June 30, 2004

OPERATING REVENUE:

Leases and Rentals	\$ 37,740
Donations	35,000
Fuel Sales	30,026
Miscellaneous	<u>143</u>

TOTAL OPERATING REVENUES	<u>102,909</u>
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OPERATING EXPENSES:

Contract Management Services	22,250
Other Contractual	11,789
Fuel Expenses	16,333
Insurance	8,404
Depreciation Expenses	47,936
Office Supplies	349
Repairs and Maintenance	4,540
Utilities	5,869
Miscellaneous	<u>6,672</u>

TOTAL OPERATING EXPENSES	<u>124,142</u>
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TOTAL OPERATING INCOME (LOSS)	<u>(21,233)</u>
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NON-OPERATING INCOME (EXPENSE):

Interest Earnings	1,152
City Appropriations	3,000
Gain on Sale	<u>3,000</u>

Net Non-Operating Income (Expense)	<u>7,152</u>
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Change in Net Assets	(14,081)
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NET ASSETS, JULY 1	<u>1,313,348</u>
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NET ASSETS, JUNE 30	<u><u>\$ 1,299,267</u></u>
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The accompanying notes are an integral part of these financial statements.

Frankfort City - County Airport Authority

Statement of Cash Flows Year End June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers	\$ 102,909
Payments to Suppliers	(81,315)
Net Cash Provided (Used) by Operating Activities	<u>21,594</u>

CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:

Appropriations	<u>3,000</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>3,000</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and Construction of Capital Assets (net)	(7,100)
Proceeds from Sales	<u>3,000</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,100)</u>

CASH FROM INVESTING ACTIVITIES:

Interest on Investments	<u>1,152</u>
Net Cash Provided (Used) by Investing Activities	<u>1,152</u>
Net Cash Provided (Used) - All Activities	21,646
Cash and Cash Equivalents at Beginning of the Year	<u>207,812</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 229,458</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (loss)	(21,233)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	47,936
Change in Assets and Liabilities:	
Inventories	(5,075)
Accounts and Other Payables	<u>(34)</u>
Net Cash Provided by Operating Activities	<u>\$ 21,594</u>

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Frankfort City - County Airport Authority, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Authority is classified as a business-type activity in accordance with GASB Statement #34. The following is a summary of the significant accounting policies used by the Authority:

A – Reporting Entity:

Financial Reporting Entity

The financial statements of the Authority include the following operations: Airport management and hanger lease management. The operations listed above are included because the Authority has direct oversight responsibility over each operation.

The Authority was incorporated on August 3, 1995, by the City of Frankfort, Michigan, under provisions of Act No. 206, of 1957, as amended, for the purpose to plan, promote, acquire, construct, improve, enlarge, extend, own and maintain an airport. The Board consists of two members appointed by the City of Frankfort, two members appointed by the County of Benzie and one member from the public.

B – Basic Financial Statements

The basic financial statements (i.e., the statement of net assets and the statement of revenues, expenses and changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The basic financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All other revenue items are considered to be available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Business-type activity funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for rent and sales. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Deposits are recorded at cost.

Inventories and Prepaid Items – Fuel inventory is capitalized using the first in first out average cost method of valuation. All other inventories, including the cost of supplies, are expensed when purchased. Expenditures for insurance and similar services are expensed when paid.

Capital Assets – Capital assets, which include property, plant, and equipment, infrastructure assets (e.g., runways, sidewalks, and similar items) are reported. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation – Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	20-30 years
Equipment and Vehicles	5-10 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND EQUIVALENTS

Statutory Authority:

Michigan law (Act 196 PA 1997) authorizes the Authority to deposit and invest in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

NOTE 2 - CASH AND EQUIVALENTS: (Continued)

- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Authority's deposits are in accordance with statutory authority. The Authority's deposits are located in local financial institutions. All deposits are carried at cost.

Balance Sheet Account

Cash Items

Cash and equivalents	<u>\$ 229,458</u>	Checking	<u>\$ 229,458</u>
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Deposits – The balance sheet at June 30, 2004 contained \$229,458 in accounts which were on deposit with the Benzie County Treasurer in pooled accounts. At year-end the carrying amount of the Authority Account deposits was combined with other county funds. These funds are insured by the Federal Deposit Insurance Corporation, based on these pooled accounts.

NOTE 3 - CAPITAL ASSETS

Capital Asset activity for the Authority for the current year was as follows:

	<u>Balance 07/01/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/04</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 132,700	\$ -	\$ -	\$ 132,700
Capital assets being depreciated:				
Buildings	835,074	-	-	835,074
Improvements	300,847	7,100	-	307,947
Equipment	142,100	-	-	142,100
Vehicles	29,172	-	-	29,172
Subtotal	<u>1,307,193</u>	<u>7,100</u>	<u>-</u>	<u>1,314,293</u>

Frankfort City – County Airport Authority

Notes to Financial Statements
June 30, 2004

NOTE 3 - CAPITAL ASSETS: (Continued)

	Balance 07/01/03	Increases	Decreases	Balance 06/30/04
Business-Type Activities:				
Less accumulated depreciation for:				
Buildings	206,427	17,502	-	223,929
Improvements	49,336	17,890	-	67,226
Equipment	72,420	6,710	-	79,130
Vehicles	5,834	5,834	-	11,668
Subtotal	334,017	47,936	-	381,953
Net Capital Assets being Depreciated	973,176	(40,836)	-	932,340
Total Capital Assets – Net of Depreciation	\$ 1,105,876	\$ (40,836)	\$ -	\$ 1,065,040

NOTE 4 - COMMITMENTS AND CONTINGENCIES:

Grant Assistance – The Authority could receive significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits should become a liability of the applicable fund of the Authority.

NOTE 5 - CHANGE IN ACCOUNTING PRINCIPLE:

Effective July 1, 2003, the Authority implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

NOTE 5 - CHANGE IN ACCOUNTING PRINCIPLE: (Continued)

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant change in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

NOTE 6 - SUBSEQUENT EVENTS:

During fiscal 2004, the Authority executed a grant with the Michigan Department of Transportation for the purchase of adjacent properties, surveys and land improvements in the amount of \$325,000. During July 2004, the Authority executed purchase offers for properties in the amount of \$140,000 which will be paid for by the grant proceeds when received.

NOTE 7 - RELATED PARTIES:

The County of Benzie, Michigan – Treasurer’s Office provides accounting and related financial services to the Frankfort City - County Airport Authority at no charge. The Treasurer of the Authority is also the Treasurer of the County who performs transactions in the normal course of operations for the Authority.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT TO MANAGEMENT

Members of the Board
Frankfort City – County Airport Authority
Frankfort, Michigan 49635

We have audited the financial statements of the Frankfort City - County Airport Authority as of and for the year ended June 30, 2004, and have issued our reports thereon dated September 23, 2004. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Authority. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Board are described in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Board during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. The Board did adopt the provisions of GASB Statement Number 34.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Estimated useful lives of capital assets are examples.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by management that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Accounting Records and Systems (Prior)

Currently, the Authority's financial information is processed through Benzie County's general ledger. Also, the receipts and disbursements of the Authority are processed through the county's systems. Because the Authority is a separate entity by law, we suggest that management use a software program such as Quicken to process and record its accounting information.

Status: A new software and separate records were implemented in September 2004.

Bank Accounts (Prior)

The Authority's cash is combined with the common cash of Benzie County. The Authority should remove its cash from the County's common cash and open its own bank account with its board members as authorized signers.

Status: Bank accounts were separated after year end.

Policies (Prior)

The Authority has been following the policies of the County of Benzie. Michigan law requires that a governmental entity adopt its own investment policy. The Authority should also adopt policies for the following: conflicts of interest, credit cards, capitalization of fixed assets, purchasing and procurement, and cash management.

Status: No change.

Fixed Assets (Prior)

The Authority should perform a reconciliation of its fixed assets on a biennial basis to ensure fixed assets records are kept current and in agreement with those amounts on the financial statements.

Status: No change.

Inventory (Prior)

Management should determine and record the value of fuel remaining at year-end.

Status: Corrected.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing these recommendations, please contact us.

This report is intended solely for the information and use of the Members of the Board, finance committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co P.C.

**Anderson, Tackman & Company, PLC
Certified Public Accountants**

September 23, 2004